



ANNUAL REPORT 2003

Aiming to lead the nanotech field

Profile

In keeping with our customer-first commitment, the Hitachi High-Technologies Group has made needs-oriented development and sound practice the pillars of our management creed. Constantly aware of fast-paced technical advances and diversifying market needs, we work to provide the leading-edge technologies and services sought by our customers surely and promptly. We have made environmental preservation and social contribution key priorities in the course of our business activities, and adopted a basic policy of active contribution to social advancement.

Through a concerted effort, we are aspiring to be the leading company in the field of nanotechnology, which promises to be the driving force of future scientific and technical advancement. The only company in the Hitachi Group using the term "high-technology" in our name, we are positioned as a core Hitachi affiliate with expertise in cutting-edge technology fields. Toward the future, we are determined to exercise progressive and innovative capabilities as befitting our "high-tech" name, carefully selecting and consolidating domains, concentrating resources in our core businesses, and laying the foundation for a highly profitable business.

As of June 2003, our network consisted of 37 firms, 17 in Japan and 20 in other countries. We are taking full advantage of this network to promote our position on a global scale.

Electronic Device Systems

Applying our time-tested production to stay a step ahead of the demand for miniaturization technologies.

Life Science

Our DNA sequencers, automatic clinical chemistry analyzers, and others are key contributors to the biotechnology and medical industries.

Information Systems & Electronic Components

High-reliability, high-performance hardware and software – flexibility across a wide range of fields.

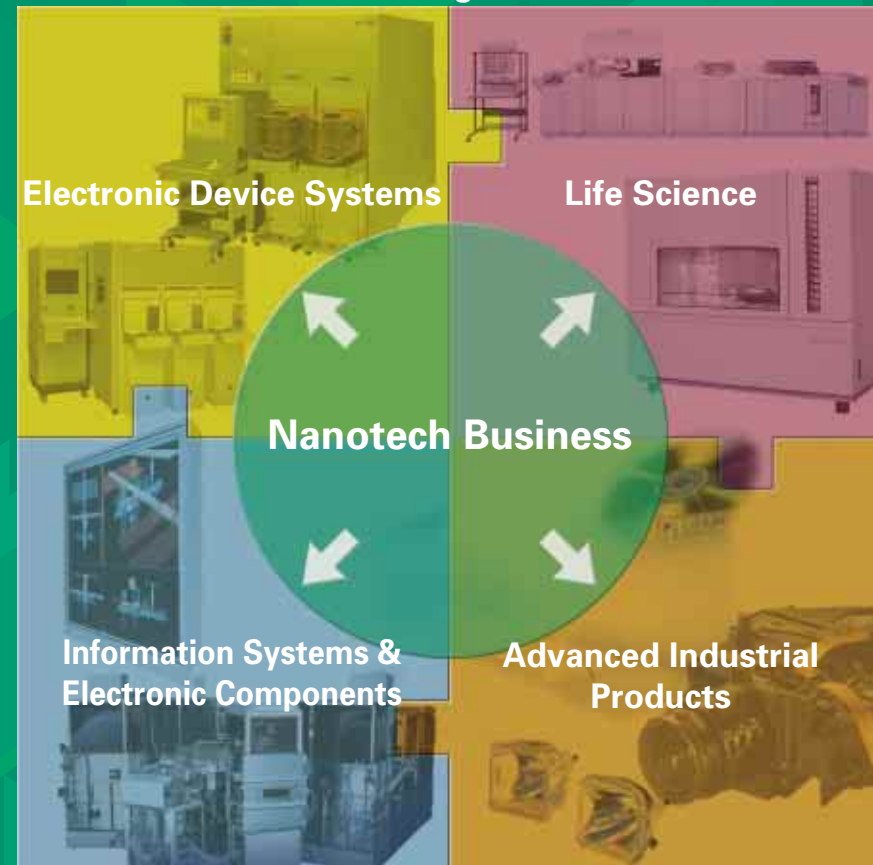
Advanced Industrial Products

From electronic components to advanced materials – a trading company that meets demands for advanced technologies.

Hitachi High-Technologies

At a Glance

Business Domains Centering on Nanotech Core



CONTENTS

At a Glance	1	World Network	16
Message from the Top Management	2	Directors and Executive Officers	18
Review of Operations		Five-Year Consolidated Financial Summary	21
Electronic Device Systems	8	Management Discussion and Analysis	22
Life Science	9	Consolidated Financial Statements	26
Information Systems & Electronic Components	10	Notes to Consolidated Financial Statements	31
Advanced Industrial Products	11	Independent Auditors' Report	44
Environmental Activities	12	Investor Information	45
Social Responsibility and Community Activities	14		

Forward-Looking Statements

Matters concerning future prospects for business plans, performance forecasts, management strategies, etc., included in this annual report were prepared based on available information and the judgment of the management of Hitachi High-Technologies. Accordingly, actual performance may differ from expectations due to fluctuations in the business environment.



Message from the Top Management

Attainment of performance targets under the severe circumstances

During the year ending March 31, 2003, the business climate was exceedingly harsh, primarily due to the economic downturn triggered by the bursting of the IT bubble in the United States, which ushered in a simultaneous slump worldwide. In Japan in particular, the deflationary spiral deepened as the balance between supply and demand continued to deteriorate.

Under these difficult circumstances, semiconductor manufacturing equipment,

one of our main products, struggled under the impact of sizable restraints on capital investment. Meanwhile, semiconductor-related demand in overseas markets began to recover, led by items such as semiconductors for cellular phones. In the Life Science segment, sales of products such as DNA sequencers and proteome-related products showed a favorable trend. As a result, the Company posted consolidated net sales of ¥778,229 million; operating profit of ¥11,844

million; and net income of ¥5,928 million (up 5.4%, 19.2% and 7.6% respectively from fiscal 2001).

Based on our fundamental policy of providing shareholders a reasonable return on profits, we are committed to paying steady dividends, with adequate consideration of retained earnings as we work to reinforce our financial resiliency and business foundation. Accordingly, in light of attainment of targets despite severe operating circumstances, cash dividend per share was ¥15 including interim cash dividend and our net income amounted to ¥40.92 on a per-share basis.



Yoshiro Kuwata
Chairman of the Board
Representative Executive Officer

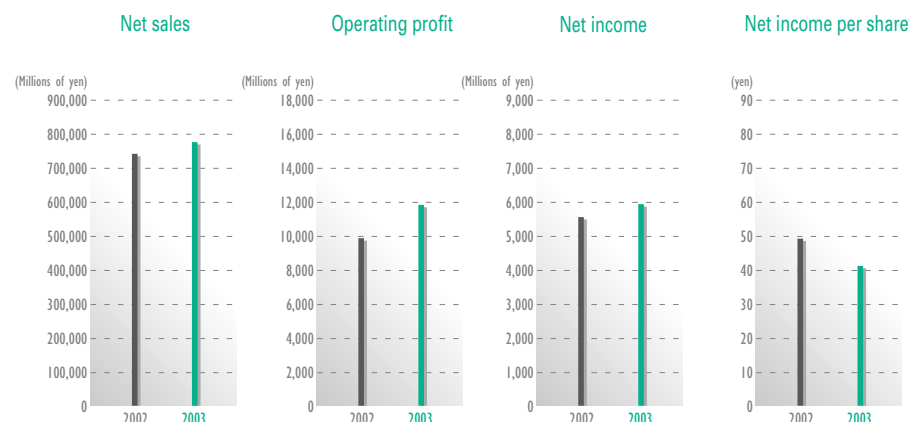


Masaaki Hayashi
President
Chief Executive Officer and Director

Consolidated Financial Highlights

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Operating results			
Net sales	¥778,229	¥738,289	\$6,474,450
Operating profit	11,844	9,940	98,534
Net income	5,928	5,507	49,315
Net income per share			
	Yen		U.S. dollars
	2003	2002	2003
Net income per share	40.92	49.71	0.34

Notes: U.S.dollar amounts in this report are translated from yen, for convenience only, at the rate of ¥120.20=U.S.\$1.00



Achieving stable long-term growth in an age of uncertainty

Harnessing the advantages of our integrated system of production, sales, and services to emerge as the leading technology company in the field of nanotechnology, the Group has identified the following five measures as top priorities.

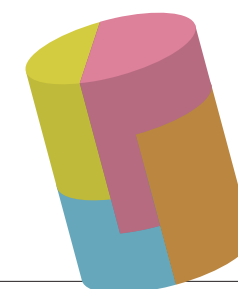
1. Reinforcement of resiliency through concentration of resources in core businesses

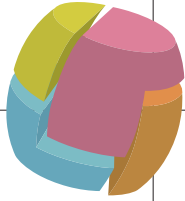
Based on a firm grasp of the climate and trends in each market, we are carefully drawing distinctions between core and non-core businesses in each consolidated segment, and concentrating resources in core areas. In each core area, we are constructing solid partnerships with our best clients in order to strengthen our foundation for stable earnings. In fields that lack promise for future growth, we are taking rigorous steps that include the option of withdrawal.

2. Active focus on product development; selection and concentration of capital expenditure

The Group is gearing up for quick response to changing market and customer needs by reinforcing and promoting management systems directly tied to the market and pursuing product development aimed at the creation of high-profit businesses through timely introduction of unique products. To this end, we have introduced a sales division-specific profit system for identifying trends in the market and customer needs, with sales divisions close to the market playing a leading role.

We intend to apply tactics of M&A and alliance as a growth strategy for increasing business value. Regarding capital expenditure and research and development, we are aiming to boost cost effectiveness through in-depth studies to strengthen selection and concentration of specific areas for investment.

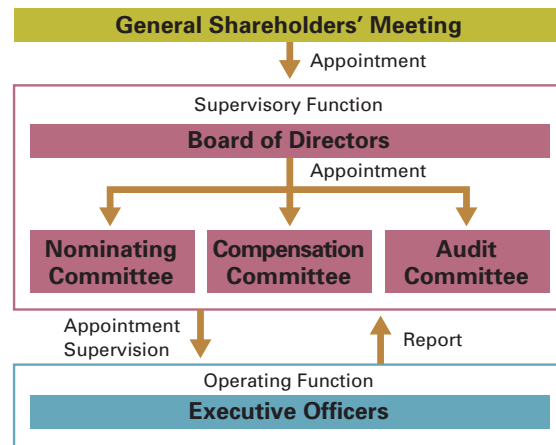




3. Expansion of global business

We are boosting the share of overseas business by building networks for production, sales, and services in the four key markets of North America, Europe, China, and the rest of Asia, and expanding the presence of our first-rate products in the global market. China in particular is a vital region, and we have consolidated general control functions in Hitachi High-Technologies (Shanghai) to focus on opportunities in this growing market. Our aim is to expand business in China by reinforcing operational functions in preparation for the opening up of trade rights to foreign firms scheduled for the end of 2004.

New Management System



5. Fundamental and sound management

To enhance our appeal for shareholders, we are managing our business with an emphasis on shareholder interests and aspiring to even higher levels of capital efficiency. Established in April 2003, our Compliance Coordinating Department is at the heart of our efforts to foster a climate of corporate social responsibility

4. Reinforcement of corporate governance and management efficiency

In June 2003, we made the transition to a U.S.-style system of the “company with committees” management. With this change, we aim to strengthen corporate governance, speed up management decision making, and achieve a higher level of transparency. In addition to promoting cash flow management with an emphasis on higher asset efficiency, we are also working to improve operational processes by streamlining management functions on a consolidated basis.

(CSR). We have pledged compliance with all pertinent laws and regulations and we are dedicated to ethical corporate behavior. Additionally, in line with our respect for human life, we endeavor to prevent risks that could jeopardize activities inside or outside the Company, and to ensure an appropriate response in emergencies.

Establishment of an integrated production, sales, and servicing scheme for chip mounters

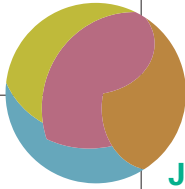
In April 2003, Hitachi High-Technologies acquired all of the shares of SANYO High Technology Co., Ltd. and SANYO High-tech Services Co., Ltd., which were subsequently renamed Hitachi High-Tech Instruments Co., Ltd. and Hitachi High-Tech Instruments Services Co., Ltd.

In the past, Hitachi High-Technologies sold most of the chip mounters produced by Sanyo High Technology in the global market, while Sanyo High-tech Services provided related services. In keeping, however, with the need for flexible adaptation to changing market conditions in recent years, we have integrated our chip mounter operations from product development and production to sales and services, aiming to strengthen our business structure, enhance management efficiency, and accelerate new product development in response to customer needs.

The synergy produced by the fusion of our technical and sales powers, Hitachi Group capabilities in research and development, and technical expertise accumulated by the Sanyo Electric Group, will enable us to continue to introduce excellent products to market and expand business opportunities in this vital field. Specifically, we intend to market a new high-speed modular-type mounter in fiscal 2004 to join the high-speed turret-type mounter, which is currently the mainstream in this field, thereby increasing our share of the global market to at least 30 percent. Our agenda also includes more extensive transactions with suppliers of electronics manufacturing services (EMS) with good prospects for further growth, and vigorous development of business in the rapidly expanding Chinese market.



Chip mounter



Joint development of next-generation external wafer inspection system

Hitachi High-Technologies has teamed with Tokyo Seimitsu Co., Ltd. to develop a next-generation external wafer inspection system capable of coping with semiconductor processes on or below the level of 90-nanometer nodes. The project, motivated by the need to counter analogous moves by rival firms, mainly from the United States, mobilizes and fuses the special competencies of both firms in the areas of advanced technology, product development, production, and sales. This joint effort culminated in the new "Model HA-3000", which was unveiled at SEMICON WEST trade show in the United States in July 2002.

The new inspection system utilizes the deep ultraviolet (DUV) spectrum, which has a shorter wavelength than spectrums applied by equipment currently on the market, and can detect micro

defects (down to 54 nanometers on 90-nanometer nodes) in devices at a high speed. It therefore can accommodate requirements for shorter wavelengths in optical systems. The team has also developed the world's fastest image processor, which surmounts the limits of processing speed accompanying the shrinkage of pixel size. The processor is several times faster than conventional models.

"Model HA-3000" is being marketed on a global scale as a next-generation optical inspection system. Sales are being undertaken through the global network of Hitachi High-Technologies, with the assistance of Tokyo Seimitsu.

Both companies are counting on this development to position us at the top of the external wafer inspection business by 2005.



Model HA-3000 external wafer inspection system

Boosting circulation of shares and broadening the investor base

An amendment of the Commercial Code in June 2001 made provisions for the stocks' unit system, under which companies are permitted to specify a certain number of shares as a single unit of ownership in its articles of incorporation. In response, we opted to change the number of shares specified as a unit, a decision finalized at a board meeting in March 2003. As a

result, the unit of ownership was lowered from 1,000 to 100 shares (the unit of sales on the Tokyo Stock Exchange and Osaka Stock Exchange), effective July 1, 2003. This change should result in wider circulation of our shares and broaden our investor base to include more individual investors.

To our shareholders

We expect the business climate to continue to be harsh, and the accompanying deflationary economy to deepen the divide between winners and losers. To remain among the winners, we are determined to make the most of the synergy between our trading functions and production capabilities, enabling us to continue to furnish customers with added value. At the same time, we are working to enhance profitability by buttressing our core businesses and to reshape our

organization by the timely launch of new undertakings. Furthermore, we aim to expand the scope of our business activities and increase our earnings by making group-wide efforts to achieve higher levels of rationality and resiliency in management.

For our shareholders, we shall continue to offer a return commensurate with performance while taking retained earnings into account. In this and other efforts, we would like to ask all of our shareholders for their ongoing understanding and support.

June 2003

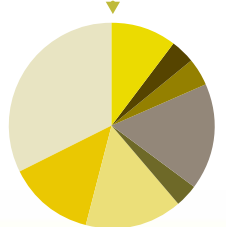
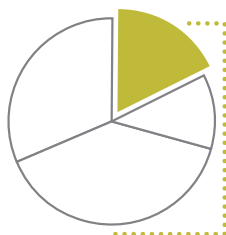
Yoshiro Kuwata
Chairman of the Board
Representative Executive Officer

Masaaki Hayashi
President
Chief Executive Officer and Director

Review of Operations

Electronic Device Systems

Electronic Device Systems



- Etchers
- Electron Beam Lithography Systems
- ASML
- CD-SEM
- External Wafer Inspection Systems
- Nanotech-related Equipment
- Liquid Crystal-related Equipment
- Other



CD-SEM



Wafer inspection system

With an emphasis on North America, Europe, and other priority markets in addition to Japan, we have captured market share for main products and expanded sales by focusing on major semiconductor manufacturers engaged in aggressive investment in production facilities as primary customers. We have become skilled in preparing proposals for system lineups and production efficiencies that fully exercise the performance and features of our products.

Operating Results

In the field of semiconductor manufacturing equipment, we posted favorable sales of reduction-projection exposure equipment (steppers) in Japan and wafer inspection systems in U.S. On the other hand, sales of mainstay critical dimension scanning electron microscopes (CD-SEM), Electron Beam Lithography Systems, and etchers were depressed by constraints on semiconductor investment. In contrast, the year saw a sharp increase in orders for liquid crystal-related equipment (Hitachi Group products) for the Korean and Taiwanese markets. As a result, sales in this segment increased to ¥136,239 million, up 7.9% from the previous year.

Research and Development

In the measurement field, we developed a next-generation CD-SEM featuring the high degree of resolution and automatic scanning that will be required for mass production in the 300-millimeter wafer market beginning in 2004. In inspection systems, we developed a high-resolution electro-optic system to increase the detection sensitivity of I-5320 Electronic Inspection Systems as well as a real-time high-precision automatic defect classification (ADC) for identification of fatal faults.

In device production, we embarked on development aimed at commercialization of an Electron Beam Mask Lithography System (HL-7000M) for mass-production masks on

the level of 90-nanometer nodes and R&D masks on the level of 65-nanometer nodes. In addition, we were commissioned by the New Energy Development Organization (NEDO) to take part in a joint research project with Hitachi, Ltd. on basic technology for a futuristic maskless lithography (ML2) system.

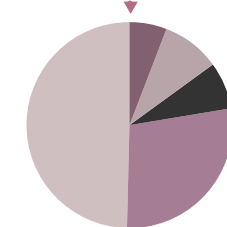
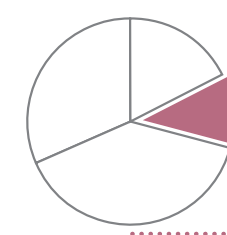
In the field of Dry Etching Equipment, we developed microwave plasma, UHF-ECR, EMCP, and other plasma sources matching requirements associated with all types of film for the micro rules of semiconductor devices. As a result of these efforts, R&D expenses amounted to ¥7,093 million.

Outlook

In fiscal 2003, we are forecasting sales of ¥142.7 billion, up ¥6.5 billion from fiscal 2002. We anticipate slight recovery of capital investment among semiconductor manufacturers in Japan and overseas beginning in the second half, with an increase in demand for etcher and Electron Beam Lithography System regardless of a decrease in demand for LC-related equipment.

Life Science

Life Science



- General Analysis Equipment
- DNA Sequencers
- Proteome-related Products
- Medical Analysis Equipment
- Other

Activities in this segment center around reinforcement of core businesses and cultivation of growth fields. In the biotechnology field, we develop and market products strategically for genome and proteome work by both utilizing our own technologies and forming alliances with front-running firms. In the medical field, we are aiming to expand the market share of core products such as biochemical and immunological automatic analysis systems, transforming them into high-return businesses.

Operating Results

In the field of medical analysis equipment, Automatic Blood Chemistry Analyzer enjoyed firm sales in Japan, and proteome-related products such as nuclear magnetic resonance (NMR) equipment turned in a favorable sales performance overall. DNA sequencers also sold well in the U.S. Sales in this segment consequently reached ¥90,721 million, an increase of 14.8% from fiscal 2001.

Research and Development

In the medical inspection field, with business centered on our biochemical automatic analysis systems, which hold the top share of the global market, we recently commenced sales of Laboratory Stream, a computer system for clinical examination that contributes to systemization of the hospital information flow. In the field of in-vivo inspection, we introduced the world's first magnetic measurement system enabling cardiac examinations in the space of about

10 seconds with no need for patients to disrobe, made possible by application of a superconductive sensor through collaboration with the Central Laboratory at Hitachi, Ltd. In the biotechnology field, we participated in a joint program of research and development of genetic readers in partnership with the U.S. firm Applied Biosystems and in other programs for Mass Spectrometers for protein analysis and applied optical analysis equipment. As a result, R&D expenditures in the Life Science segment amounted to ¥3,680 million.

Outlook

In fiscal 2003, we are projecting sales of ¥86.4 billion, down ¥4.3 billion from fiscal 2002. Although sales of DNA sequencers and medical analysis equipment are predicted to decline, those of general analysis equipment are anticipated to rise in line with the introduction of new Liquid Chromatographs.



DNA sequencer

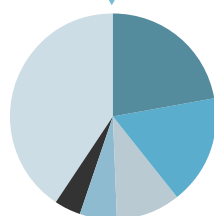
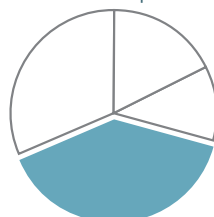


Integrated biochemical and immunological system

Information Systems & Electronic Components

Advanced Industrial Products

Information Systems & Electronic Components



- Semiconductors
- Information Home Electronics
- Mobile Terminals
- IT Solutions
- Assembly and Fabrication Equipment
- Measuring Devices
- Other



LC display device



Organic EL-related equipment

In keeping with our goal of developing deeper ties with priority customers and making wider inroads into the global market, we aimed to expand our business through growth in semiconductors and information home electronics. In the field of semiconductors, we bolstered sales to leading users. In information home electronics, we introduced new digital media products such as DVD and projection TVs, and also worked to develop markets associated with cellular phones and other types of information terminals and communication devices on a global scale.

Operating Results

Amidst a revival of semiconductor-related demand in overseas markets, sales of semiconductors for cellular phones and Optical Pick-Ups for DVDs were strong. In addition, sales of lithium ion secondary batteries for cellular phones in the Korean market and information home electronics such as color TVs in the U.S. market also showed solid trends. As a result, sales in this segment grew to ¥305,750 million, up 8.6 % from fiscal 2001.

Research and Development

The process system manufacturing industry shows increasing needs for production schedulers to meet requirements for higher efficiency and optimization. In response, we are reinforcing our Cyber Plant, a manufacturing execution system (MES) product. In the environmental field, we possess key expertise in the form of on-line, real-time ultra-microanalysis technology, developing the PCB on-line monitor. In the field of Fuel Cells, we are currently developing equipment for fuel cell assessment based on proprietary plant control technology. During the period under review, R&D expenditures in this segment amounted to ¥395 million.

Outlook

The outlook for fiscal 2003 envisions sales of ¥305.1 billion, down ¥700 million from fiscal 2002. Although sales of various Assembly and Production System for OLED (Organic Light Emitting Diodes) and chip mounters should increase, information home electronics and mobile terminals are expected to decline.

In this segment, we are pursuing intensive programs of development and sales on a global scale, targeting growth fields such as semiconductors, flat panel displays (FPD), communications, digital media, and automobiles. With the goal of developing business firmly grounded in regional markets, we are actively making strategic alliances and investments, strengthening sales organizations and building up sales networks with a focus on especially China and ASEAN countries.

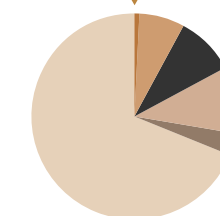
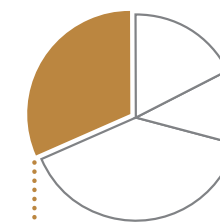
Operating Results

While the market for optical communication components was sluggish due to a slowdown in the telecommunications industry, sales of optical components for LC projectors and LC-related materials were brisk. In contrast, sales of PC-related products sagged. As a result, sales in this segment totaled ¥245,519 million, down 2.3% from fiscal 2001.

Outlook

In fiscal 2003, sales in this segment are forecast at ¥251.2 billion, up ¥5.7 billion from fiscal 2002. Although we are presupposing decreases in connection with silicon wafers and personal computers, increases in the areas of opto-electronic components and international procurement are projected.

Advanced Industrial Products



- Optical Communication Components
- Optical Electronic Components
- Silicon Wafers
- Personal Computers
- International Procurement
- Other



Opto-electronic components



Optical components for LC projector

Environmental Activities

As a responsible corporate citizen in the global community, Hitachi High-Technologies Group has posted environmental protection as one of its most crucial management issues, and is making every effort to be a company that creates environmental value. In cooperation with all our stakeholders, we strive to protect the environment, conserve natural resources, minimize our impact on environment and comply with all relevant laws and regulations.

Environmental Action Guidelines and Environmental Protection Action Program

Based on the management philosophy in the Hitachi High-Technologies' Basic Philosophy, we established Guidelines for Environmental Action, which express standards in response to environmental issues concerning the Company's

business activities. To comply with these guidelines, we formulated our Environmental Protection Action Program, a mid-term environmental action program containing specific quantitative targets to be achieved.



Environmental Symposium

Environmental Protection Activities in Fiscal 2002



Investiture Ceremony in Taipei Branch



Environmental ISO Patrol in Kansai Branch

Promotion of environmental management

Aiming for inclusion of environmental activities in the consolidated management of the Hitachi High-Technologies Group

»»» Formation of an environment promotion executive committee covering all group companies

Environmental management system

Acquisition of ISO14001 certification by all affiliates in Japan

»»» Certification already acquired at four sites (three in Japan, one overseas); total number of certified sites: 18

Environmental accounting

Implementation of environmental accounting throughout the Hitachi High-Technologies Group, promotion of efficiency and continual improvement of environmental activities

»»» Reviewed and revision of our environmental accounting guidelines, and expansion of coverage of environmental accounting to three manufacturing sites

Environmental education

Promotion of employee awareness of environmental issues through several environmental education programs

»»» Implementation of both general and specialized education programs



Preparatory Training in Emergency Situation

Nature-friendly products

Implementation of the Design for Environmental Assessment, and expansion of the ratio of nature-friendly products to 40% of overall factory sales volume

»»» Registration of an additional eight "nature-friendly products"

Achievement of zero emissions

Promotion of zero-landfill-waste factories (zero emissions; an emissions volume of less than 1% of the final disposal rate of the current fiscal year, or less than five tons/year)

»»» The Kasado Division achieved zero emissions through the effective use of waste soil and intermediate processing remnants as building material for roads



Field Emission Scanning Electron Microscope S-4800

Environmental Protection Action Program in Fiscal 2003

Guidelines for assessment of environmental activities: Green 21, Ver.2

Introduction of Green 21, environmental performance self-evaluation system

"Green Points (GP)" target: 426 points in fiscal 2003, 640 points in fiscal 2005

Nature-friendly products

Implementation of the Design for Environmental Assessment, and expansion of the ratio of

nature-friendly products to 60% of overall factory sales volume



Circuit Board used Lead-Free Solder

Promotion of lead-free solder

Elimination of lead from solder used in electrical and electronics devices

Elimination of hazardous chemical substances from products

Elimination of hazardous substances specified in the RoHS Directive (Restriction of the Use of Certain Hazardous Substances in Electrical

and Electronic Equipment) by the end of fiscal 2005

Prevention of global warming

Reduction of carbon dioxide emissions by 3% at factories by the end of fiscal 2005 relative to fiscal 1990

Reduction of electrical power consumption by 5% at offices by the end of fiscal 2004 relative to fiscal 2001

Achievement of zero emissions

Achievement of zero emissions at the Naka Division by the end of fiscal 2005 in addition to the Kasado Division

Social Responsibility and Community Activities

The Hitachi High-Technologies Group engages in a variety of activities to enhance corporate value and ensure continued growth and vitality. As a good corporate citizen, we attempt to forge solid bonds of trust with all of our stakeholders by identifying the priorities and wants of society and the community and pursuing social contributions on our own initiative. We also work for the advancement of society as a whole by supporting the activities of our employees.



Scientific Live -Sapiens-

Scientific Live - Sapiens -

We are a sponsor of Scientific Live "Sapiens", a science forum held by Nikkei Science Inc. since May 1992 for the purpose of furthering the diffusion and advancement of science and culture. Held in November 2002, the 22nd forum

took a scientific view of the Japanese dining table and dealt with the circumstances surrounding it, with a focus on the Westernization of eating habits and an unchanging dedication to rice.

The Shiroi Nashi Marathon

Shiroi-city in Tokyo's neighboring Chiba Prefecture, the site of corporate housing for our employees, holds a marathon race every autumn, during the pear(nashi in Japanese)-harvest

season. We support race operations and encourage the participation of many of our employees and their families to strengthen our alliance with the local community.



The Shiroi Nashi Marathon



The forum held by MTP staff for local residents

Mori-no-Sato Techno Plaza (MTP) Community Contributions

Since its opening in 1993, Mori-no-Sato Technoplaza (MTP), our research center in Kanagawa Prefecture's Mori-no-Sato R&D park, has been dedicated to interchange with local residents and contribution to the community. Its

assortment of programs includes computer classes and Junior Science Classrooms for elementary and junior high school students, and charity concerts for enjoyment by all ages.

Junior Science Classrooms and Charity Concerts

Junior Science Classrooms are held to stimulate interest in science among children, who are given the chance to use our product electron microscopes to observe and take photos of their own specimens such as pollen and insects. These Classrooms are well-received, not only by the children but also by their teachers and parents. Similarly, Junior Computer Classrooms held by our affiliate Nissei Software Inc. introduce

children to the fascinating world of computers and the Internet. Last year, Mori-no-Sato Technoplaza staged a charity concert, inviting local residents to hear a performance by a professional pianist. On the day of the concert, guests were encouraged to contribute to the "charity boxes" set up at the venue, after which all donations were presented to a charity organization in the Mori-no-Sato district.



Junior Science Classroom



Charity Concert in MTP



Earth Photo Contest '02
The Hitachi High-Technologies Prize
"I've Got It"

Earth Photo Contest

PRESIDENT Inc., publisher of the biweekly magazine President, organizes an "Earth Photo Contest" to obtain photographic statements on the environment. We have been a sponsor since the first installment in 1995, and this year's contest marks the ninth in the series. The contest is grounded in the idea of prompting thought

about the global environment through photos, and has been steadily growing in terms of both the number and quality of entries. As a program for raising awareness about the environment, the Earth Photo Contest is making a considerable impact among a broad segment of the public at large.



The Opera "Shunko"

Performance of the Opera "Shunko" - Japanese-Korean Cultural Exchange Event -

In April 2002, the opera "Shunko" was staged in Yokohama, the venue for the final match in the 2002 FIFA World Cup Korea/Japan. We supported the staging as both a member of the steering committee and a sponsor, with a view to promoting cultural exchange between Japan and Korea as well as support for the arts. The opera

generated considerable interest for a number of reasons, including its creation through collaboration by a joint Japanese-Korean staff and cast, and the fact that it was being staged for the first time in 53 years as an official Yokohama project in conjunction with the World Cup games.

124th Sunday Concert by the Japan Philharmonic Orchestra

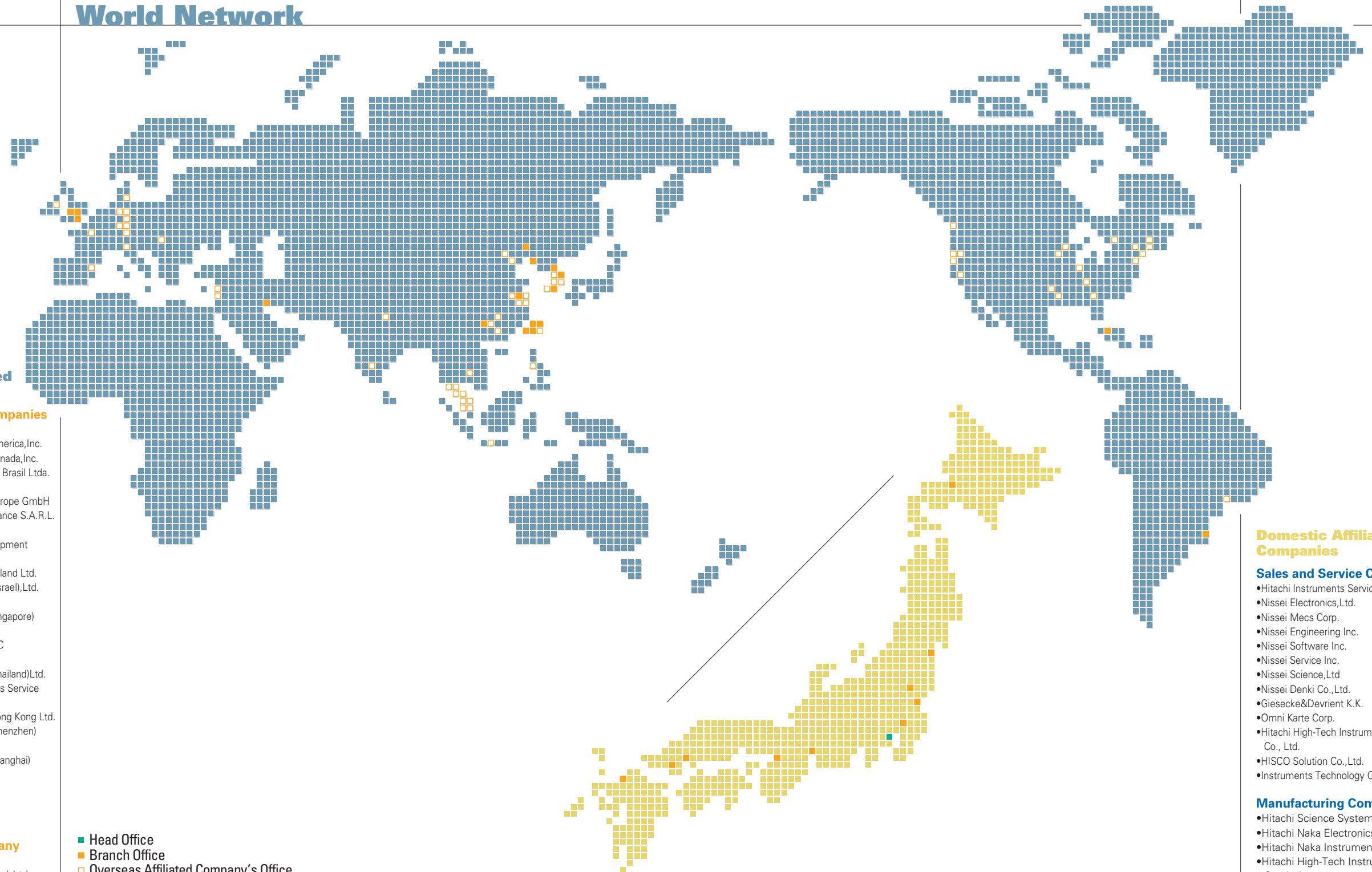
Hitachi High-Technologies was proud to sponsor the 124th Sunday concert by the Japan Philharmonic Orchestra. Amid a constant stream of political and economic problems in the international community, we believe that the

promotion of interchange through the medium of music as a universal language and form of heart-to-heart communication is of vital importance, and we were glad to play a small role in support of the concert.



The 124th Sunday Concert by the Japan Philharmonic Orchestra

World Network



Overseas Affiliated Companies

Sales and Service Companies

America

- Hitachi High Technologies America, Inc.
- Hitachi High-Technologies Canada, Inc.
- Hitachi High-Technologies do Brasil Ltda.

Europe

- Hitachi High-Technologies Europe GmbH
- Hitachi High-Technologies France S.A.R.L.
- HISCO Europe GmbH
- H.H.T.A. Semiconductor Equipment Israel, Ltd.
- Hitachi High Technologies Ireland Ltd.
- H.I.I. Scientific Instruments (Israel), Ltd.

Asia

- Hitachi High-Technologies (Singapore) Pte. Ltd.
- Hitachi High-Technologies IPC (Malaysia) Sdn. Bhd.
- Hitachi High-Technologies (Thailand) Ltd.
- Hitachi High-Tech Instruments Service (Asia) Pte. Ltd.
- Hitachi High-Technologies Hong Kong Ltd.
- Hitachi High-Technologies (Shenzhen) Co., Ltd.
- Hitachi High-Technologies (Shanghai) Co., Ltd.
- Korea HISCO Ltd.
- Asia HISCO Co., Ltd.
- Hisco Shanghai Co., Ltd.

Manufacturing Company

Asia

- Hitachi Instruments (Suzhou), Ltd.

- Head Office
- Branch Office
- Overseas Affiliated Company's Office

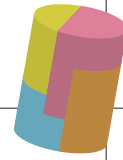
Domestic Affiliated Companies

Sales and Service Companies

- Hitachi Instruments Service Co., Ltd.
- Nissei Electronics, Ltd.
- Nissei Mecs Corp.
- Nissei Engineering Inc.
- Nissei Software Inc.
- Nissei Service Inc.
- Nissei Science, Ltd.
- Nissei Denki Co., Ltd.
- Giesecke & Devrient K.K.
- Omni Karte Corp.
- Hitachi High-Tech Instruments Service Co., Ltd.
- HISCO Solution Co., Ltd.
- Instruments Technology Co., Ltd.

Manufacturing Companies

- Hitachi Science Systems, Ltd.
- Hitachi Naka Electronics Co., Ltd.
- Hitachi Naka Instruments Co., Ltd.
- Hitachi High-Tech Instruments Co., Ltd.



Directors and Executive Officers



Chairman of the Board
Representative Executive Officer
Yoshiro Kuwata



President
Chief Executive Officer and Director
Masaaki Hayashi



Senior Vice President
Executive Officer and Director
Yuichi Tsunoda



Director
Toshihiro Sanematsu



Director
Ikuo Kinokuni



Outside Director
Shigemichi Matsuka



Outside Director
Tadashi Ishibashi



Vice President and
Executive Officer
Katsuji Yamashita



Vice President and
Executive Officer
Hidehito Obayashi



Vice President and
Executive Officer
Hiroshi Kanauchi



Vice President and
Executive Officer
Wasuke Nakano



Vice President and
Executive Officer
Masumi Miyauchi



Vice President and
Executive Officer
Masao Sakuragi



Executive Officer
Yasuhiko Nishimura



Executive Officer
Hiroshi Misawa



Executive Officer
Shigeru Iizuka



Executive Officer
Yoshinao Kawasaki



Executive Officer
Mitsuhiro Hayashi



Executive Officer
Akihisa Inagaki



Executive Officer
Nobuhiro Soeda



Executive Officer
Minoru Kurebayashi



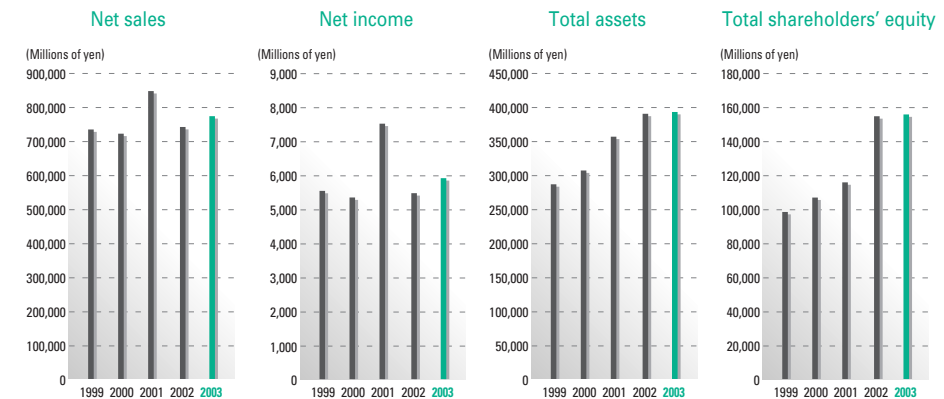
Executive Officer
Masaho Masuyama

Consolidated Financial Section

Five-Year Consolidated Financial Summary

Years ended March 31	Millions of yen					Thousands of U.S. dollars
	2003	2002	2001	2000	1999	2003
For the year:						
Net sales	¥ 778,229	¥ 738,289	¥ 848,700	¥ 725,348	¥ 733,204	\$ 6,474,450
Electronic Device Systems	136,239	126,258	133,256	—	—	1,133,434
Life Science	90,721	79,024	62,759	—	—	754,752
Information Systems & Electronic Components	305,750	281,593	345,752	—	—	2,543,673
Advanced Industrial Products	245,519	251,414	306,933	—	—	2,042,591
Operating profit	11,844	9,940	14,688	8,275	9,167	98,534
Net income	5,928	5,507	7,691	5,386	5,540	49,315
Net cash provided by (used in) operating activities	18,284	(8,824)	1,097	17,261	—	152,110
Net cash provided by (used in) investing activities	2,457	547	(3,980)	(1,902)	—	20,439
Net cash provided by (used in) financing activities	(10,818)	1,139	(3,653)	(4,767)	—	(89,997)
At the year-end:						
Total assets	¥ 389,704	¥ 382,533	¥ 354,895	¥ 305,483	¥ 283,713	\$ 3,242,133
Total shareholders' equity	155,160	155,154	117,220	106,173	98,091	1,290,854
Cash and cash equivalents at end of year	52,456	42,811	42,995	48,260	—	436,407
Number of employees (Persons)	8,073	7,945	3,033	3,088	—	—
Ratio:						
Equity ratio (%)	39.8	40.6	33.0	34.8	34.6	
Return on equity (%)	3.8	4.0	6.9	5.3	5.8	
Return on assets (%)	3.1	2.8	4.6	3.3	3.7	
Price-earnings ratio (Times)	41.3	35.9	18.1	19.3	18.5	

Notes: U.S.dollar amounts in this report are translated from yen, for convenience only, at the rate of ¥120.20=U.S.\$1.00



Management Discussion and Analysis

Performance Review

Sales

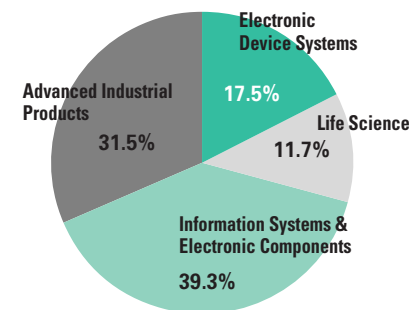
Despite a severe environment, influenced by uncertainties in the global economy, prolonged deterioration of the Japanese economy, and political strain caused by the Iraq situation, consolidated net sales for the fiscal year ended March 2003 increased 5.4% compared with the previous year, totaling ¥778,229 million.

In the Electronic Device Systems segment, sales of reduction-projection exposure equipment (steppers) in the domestic market and wafer inspection systems in the U.S. market were strong, but sales of CD-SEMs, Electron Beam Lithography Systems, and etchers, the Company's major product categories, were slightly down due to the effects of restrained investment in semiconductors. On the other hand, sales of liquid crystal-related equipment (Hitachi Group products) to Korea and Taiwan increased rapidly. As a result, sales in this segment increased 7.9% compared with the previous year, to ¥136,239 million.

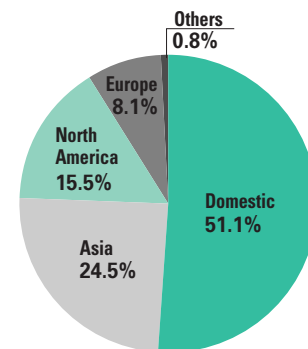
In the Life Science segment, sales of Automatic Blood Chemistry Analyzer in the domestic market were strong, and sales of proteome-related products including nuclear magnetic resonance (NMR) equipment were also robust. In addition, sales of DNA sequencers in the US market posted steady growth. Sales in this segment increased 14.8% compared with the previous year, to ¥90,721 million.

In the Information Systems & Electronic Components segment, sales of semiconductors for cellular phones and Optical Pick-Ups for DVDs were strong, as overseas demand for semiconductors began to recover, and sales of lithium ion secondary batteries for cellular phones in the Korean market were also strong. In addition, information home electronics such as color TVs for the US

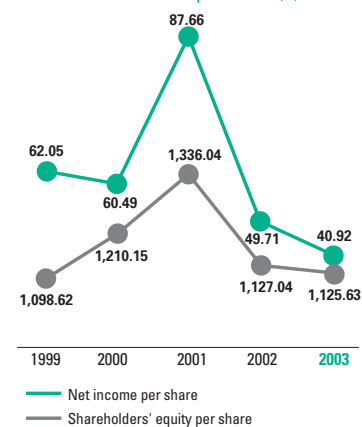
Net sales by business segment (%)



Domestic and overseas net sales (%)



Shareholders' equity per share and net income per share (¥)



market showed strong performance. Overall, sales in this segment increased 8.6% compared with the previous year, to ¥305,750 million.

In the Advanced Industrial Products segment, sales of optical communication components were sluggish due to the slowdown in the telecommunications industry, but sales of optical components for LC projectors and LC-related materials were strong. On the other hand, sales of PC-related products did not perform well. As a result, sales in this segment decreased 2.3% compared with the previous year, to ¥245,519 million.

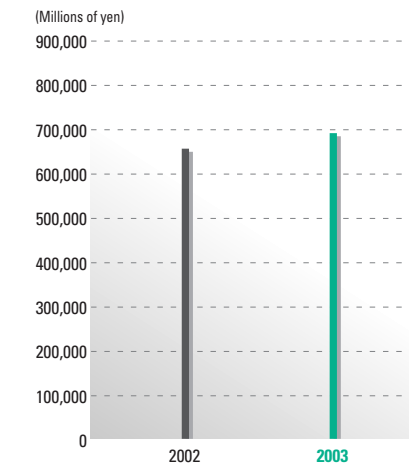
Categorized by geographical area, domestic sales decreased 0.9% compared with the previous year, to ¥397,437 million. Overseas sales by destination increased 13.0% compared with the previous year, to ¥380,792 million. The ratio of overseas sales to consolidated sales increased 3.3% compared with the previous year, to 48.9%.

Cost of Sales, SG & A Expenses, R&D Expenses

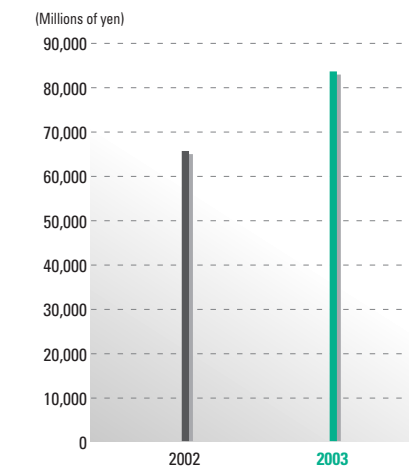
Cost of sales increased 3.3% compared with the previous year, to ¥684,007 million. The cost of sales ratio recovered 1.8 percentage points from 89.7 to 87.9%. Gross profit increased 23.9% to ¥94,222 million, and the gross profit ratio increased 1.8 percentage points to 12.1%.

Selling, general and administrative expenses increased 24.6% compared with the previous year, to ¥82,378 million. Research and development expenses included in selling, general and administrative expenses amounted to ¥11,168 million. Research and development expenses by segment totaled ¥7,093 million for Electronic Device Systems, ¥3,680 million for Life Science, and ¥395 million for Information Systems & Electronic Components.

Cost of sales



Selling general and administrative expenses



Operating Profit, Net Income

Operating profit increased 19.2% compared with the previous year, totaling ¥11,844 million. Operating profit for Electronic Device Systems and Information Systems & Electronic Components decreased 18.1% and 8.1% to ¥2,810 million and ¥3,001 million respectively. Operating loss for Advanced Industrial Products was ¥101 million. On the other hand, operating profit for the Life Science segment increased 91.3%, totaling ¥6,067 million.

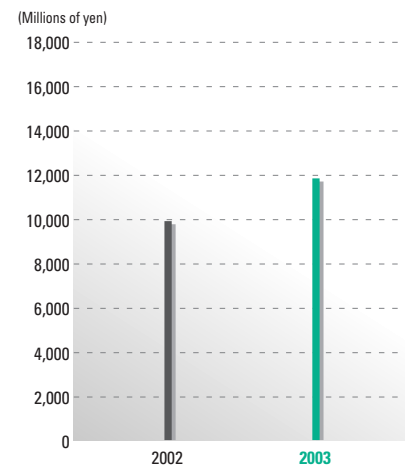
Other income decreased 31.8% compared with the previous year, to ¥260 million; income before income taxes and minority interest increased 17.3% compared with the previous year, totaling ¥12,104 million. Income taxes increased 23.6%, to ¥5,789 million, and minority interest in net income increased 193.2% to ¥387 million. As a result, net income increased 7.6% compared with the previous year, totaling ¥5,928 million.

Net income per share was ¥40.92, a decrease of ¥8.79 from the ¥49.71 posted the previous year.

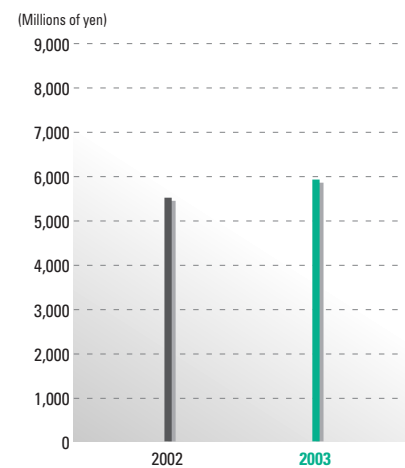
Financial Position

Total assets increased 1.9% year on year, to ¥389,704 million. Current assets increased 5.4% compared with the previous year, totaling ¥289,186 million, due to increases in cash, notes and accounts receivable, deferred tax assets, etc. Net property, plant and equipment increased 0.9%, to ¥57,099 million, primarily due to an increase in buildings and structures and land and a decrease in machinery and equipment, tools, furniture and fixtures. Intangible assets increased 27.1%, to ¥4,051 million. And investments and other assets decreased 18.6% compared with the previous year, totaling

Operating profit



Net income



¥39,368 million.

Total liabilities increased 2.6% compared with the previous year, to ¥230,216 million. Current liabilities increased 2.7% to ¥205,105 million, due to an increase in notes and accounts payable, income taxes, etc. and a decrease in short-term debt, etc. Long-term liabilities increased 2.2%, to ¥25,111 million, due to an increase in provisions for vested retirement payments for directors and statutory auditors.

Total shareholders' equity increased slightly from the previous year, totaling ¥155,160 million. Total shareholders' equity per share decreased ¥1.44, to ¥1,125.60.

Cash Flows

Net cash provided by operating activities amounted to ¥18,284 million, an increase of ¥27,108 million compared with the previous year. This can be attributed to ¥12,104 million for income before income taxes and minority interest, ¥7,458 million for depreciation and amortization, ¥4,530 million for an increase in notes and accounts receivable, ¥10,080 million for an increase in notes and accounts payable, and ¥5,517 million for income taxes paid.

Net cash provided by investing activities totaled ¥2,457 million, an increase of ¥1,910 million compared with the previous year. This is primarily due to proceeds of ¥7,760 million from the sale and redemption of securities, ¥2,070 million from the collection of loans, and, even though ¥5,510 million was paid for the acquisition of tangible fixed assets such as new company buildings for the "Science Laboratory" demo center in Japan (Hitachinaka City, Ibaraki Prefecture), and Hitachi High-Technologies Europe GmbH in Germany. ¥873 million was also paid for the acquisition of intangible assets such as the construction of the Company's new ERP

system.

As a result, free cash flows, consisting of cash flows from operating activities and cash flows from investing activities, amounted to ¥20,741 million.

Net cash used in financing activities totaled ¥10,818, a decrease of ¥11,957 million over the previous year. This was primarily due to cash payments of ¥8,652 million, resulting from a decrease in short-term debts and a cash expenditure of ¥2,065 million for dividends paid.

As a result, cash and cash equivalents at end of year increased ¥9,645 million compared with the previous year, totaling ¥52,456 million.

Outlook

While in Asia, the Chinese economy is still strong, the outlook for U.S., European and Japanese economies remains uncertain. In these circumstances, we have set a performance target of sales of ¥785,400 million and net income of ¥5,940 million for the fiscal year ending March 2004.

We are striving to solidify our position as one of the world's top high technology companies, and to achieve our performance targets by taking the lead in responding to the needs of customers and markets.

Consolidated Balance Sheets

Hitachi High-Technologies Corporation and Subsidiaries
March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (note 2)
	2003	2002	2003
ASSETS			
Current assets:			
Cash (note 3)	¥ 51,675	¥ 43,193	\$ 429,905
Short-term investments (note 4)	2,164	2,098	18,004
Notes and accounts receivable (note 5)	181,469	177,127	1,509,722
Inventories	37,741	37,448	313,988
Advances to suppliers (note 5)	2,444	2,917	20,337
Prepaid expenses and other current assets (Note 8)	4,664	5,662	38,808
Deferred tax assets (note 6)	10,652	8,036	88,619
Less: allowance for doubtful receivables	(1,623)	(2,095)	(13,506)
Total current assets	<u>289,186</u>	<u>274,386</u>	<u>2,405,877</u>
Property, plant and equipment:			
Land	21,347	20,842	177,594
Buildings and structures	39,557	36,816	329,096
Machinery and equipment	31,969	31,711	265,962
Tools, furniture & fixtures	21,680	21,101	180,368
Construction in process	250	836	2,076
	<u>114,803</u>	<u>111,306</u>	<u>955,096</u>
Less: accumulated depreciation	(57,704)	(54,722)	(480,064)
Net property, plant and equipment	<u>57,099</u>	<u>56,584</u>	<u>475,032</u>
Intangible assets	4,051	3,187	33,705
Investments and other assets:			
Investments in non-consolidated subsidiaries and affiliates	2,888	3,290	24,030
Investments in securities (note 4)	18,713	28,038	155,682
Long-term loan	1,630	1,817	13,560
Deferred tax assets (note 6)	9,600	8,137	79,863
Other assets	7,737	8,523	64,368
Less: allowance for doubtful receivables	(1,200)	(1,429)	(9,984)
Total investments and other assets	<u>39,368</u>	<u>48,376</u>	<u>327,519</u>
	<u>¥ 389,704</u>	<u>¥ 382,533</u>	<u>\$ 3,242,133</u>

See accompanying notes to consolidated financial statements

	Millions of yen		Thousands of U.S. dollars (note 2)
	2003	2002	2003
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term debt (note 7)	¥ 20,766	¥ 29,425	\$ 172,766
Notes and accounts payable (note 5)	141,356	129,371	1,176,008
Accrued expenses	20,465	19,416	170,259
Income taxes (note 6)	5,898	2,805	49,065
Advances from customers (note 5)	8,755	9,579	72,833
Other current liabilities	7,865	9,170	65,435
Total current liabilities	<u>205,105</u>	<u>199,766</u>	<u>1,706,366</u>
Long-term liabilities:			
Retirement and severance benefits (note 8)	24,990	24,440	207,903
Other liabilities	121	126	1,008
Total long-term liabilities	<u>25,111</u>	<u>24,566</u>	<u>208,911</u>
Total liabilities	<u>230,216</u>	<u>224,332</u>	<u>1,915,277</u>
Minority interests	4,328	3,047	36,002
Shareholders' equity:			
Capital (notes 9)	7,938	7,938	66,044
Capital Surplus (notes 9 and 10)	35,745	35,723	297,376
Retained earnings (note 10)	109,633	106,733	912,090
Net unrealized holding gain on securities	2,923	4,581	24,318
Foreign currency translation adjustments	(853)	290	(7,097)
Treasury stock, at cost, 153,800 shares in 2003 and 73,499 shares in 2002	(226)	(111)	(1,877)
Total shareholders' equity	<u>155,160</u>	<u>155,154</u>	<u>1,290,854</u>
Commitments and contingent liabilities (note 11)	¥ 389,704	¥ 382,533	\$ 3,242,133

Consolidated Statements of Income
Hitachi High-Technologies Corporation and Subsidiaries

	Millions of yen		Thousands of U.S. dollars (note 2)
	2003	2002	2003
Net sales (note 5)	¥ 778,229	¥ 738,289	\$ 6,474,450
Cost of sales (note 5)	684,007	662,257	5,690,575
Gross profit	94,222	76,032	783,875
Selling, general and administrative expenses	82,378	66,092	685,341
Operating profit	11,844	9,940	98,534
Other income (expense)			
Interest & dividends income	821	1,207	6,829
Interest expenses	(208)	(183)	(1,734)
Equity income	70	159	581
Exchange gain	129	334	1,073
Other, net	(552)	(1,136)	(4,581)
	260	381	2,168
Income before income taxes and minority interests	12,104	10,321	100,702
Income taxes (note 6)			
Current	8,645	4,574	71,923
Deferred	(2,856)	108	(23,762)
	5,789	4,682	48,161
Income before minority interests	6,315	5,639	52,541
Minority interests	387	132	3,226
Net income	¥ 5,928	¥ 5,507	\$ 49,315

	Yen		U.S.dollars (notes 2)
Net income per share(note 12)	¥ 40.92	¥ 49.71	\$ 0.34

See accompanying notes to consolidated financial statements

Consolidated Statements of Shareholders' Equity
Hitachi High-Technologies Corporation and Subsidiaries
Years ended March 31, 2003 and 2002

	Millions of yen						
	Issued and outstanding shares (thousands)	Capital	Capital Surplus	Retained earnings	Net unrealized holding gain on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2001	87,739	¥ 5,438	¥ 9,695	¥ 96,084	¥ 6,645	¥ (639)	¥ (3)
Net income	-	-	-	5,507	-	-	-
Cash dividends	-	-	-	(2,193)	-	-	-
Bonuses to directors	-	-	-	(233)	-	-	-
New shares issued upon business acquisition	50,000	2,500	26,028	7,568	-	-	-
Net change during the year	-	-	-	-	(2,064)	929	-
Increase in treasury stock	-	-	-	-	-	-	(108)
Balance at March 31, 2002	137,739	¥ 7,938	¥ 35,723	¥ 106,733	¥ 4,581	¥ 290	¥ (111)
Net income	-	-	-	5,928	-	-	-
Cash dividends	-	-	-	(2,065)	-	-	-
Bonuses to directors	-	-	-	(293)	-	-	-
Gain on sale of treasury stock	-	-	22	-	-	-	-
Effect of newly consolidated subsidiaries	-	-	-	211	-	-	-
Transfer to minority interests arising from issuance of subsidiary's common stock	-	-	-	(881)	-	-	-
Net change during the year	-	-	-	-	(1,658)	(1,143)	-
Increase in treasury stock	-	-	-	-	-	-	(115)
Balance at March 31, 2003	137,739	¥ 7,938	¥ 35,745	¥ 109,633	¥ 2,923	¥ (853)	¥ (226)

	Thousands of U.S. dollars (note 2)						
	Issued and outstanding shares (thousands)	Capital	Capital Surplus	Retained earnings	Net unrealized holding gain on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2002	137,739	\$ 66,044	\$ 297,199	\$ 887,958	\$ 38,112	\$ 2,410	\$ (926)
Net income	-	-	-	49,315	-	-	-
Cash dividends	-	-	-	(17,183)	-	-	-
Bonuses to directors	-	-	-	(2,436)	-	-	-
Gain on sale of treasury stock	-	-	177	-	-	-	-
Effect of newly consolidated subsidiaries	-	-	-	1,755	-	-	-
Transfer to minority interests arising from issuance of subsidiary's common stock	-	-	-	(7,319)	-	-	-
Net change during the year	-	-	-	-	(13,794)	(9,507)	-
Increase in treasury stock	-	-	-	-	-	-	(951)
Balance at March 31, 2003	137,739	\$ 66,044	\$ 297,376	\$ 912,090	\$ 24,318	\$ (7,097)	\$ (1,877)

Consolidated Statements of Cash Flows

Hitachi High-Technologies Corporation and Subsidiaries
Years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (note 2)
	2003	2002	2003
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 12,104	10,321	\$ 100,702
Adjustments to reconcile to net income before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization	7,458	4,882	62,050
Increase (decrease) in provision for doubtful receivables	(697)	81	(5,796)
Increase (decrease) in retirement and severance benefits	345	(408)	2,866
Interest and dividend income	(821)	(1,207)	(6,829)
Interest expenses	208	183	1,734
Exchange (gain) loss	38	(335)	315
Equity income	(70)	(159)	(581)
Loss on sale and disposal of property and equipment	360	234	2,995
Loss (gain) on sale and devaluation of securities	(1,003)	21	(8,343)
Decrease (increase) in notes and accounts receivables	(4,530)	47,784	(37,691)
Decrease (increase) in inventories	(610)	3,732	(5,076)
Increase (decrease) in notes and accounts payables	10,080	(68,691)	83,862
Bonuses paid to directors	(296)	(233)	(2,466)
Other	572	3,767	4,748
	23,138	(28)	192,490
Interest and dividends received	877	1,277	7,297
Interest paid	(214)	(175)	(1,782)
Income taxes paid	(5,517)	(9,898)	(45,895)
Net cash provided by operating activities	18,284	(8,824)	152,110
Cash flows from investing activities:			
Decrease in time deposits	135	186	1,123
Purchase of securities	(505)	(285)	(4,198)
Proceeds from sale and redemption of securities	7,760	6,323	64,557
Capital expenditures	(6,383)	(5,204)	(53,104)
Proceeds from sale of property and equipment	852	56	7,089
Other	598	(529)	4,972
Net cash provided by (used in) investing activities	2,457	547	20,439
Cash flows from financing activities:			
Increase (decrease) in short-term debt	(8,652)	3,450	(71,977)
Dividends paid	(2,065)	(2,193)	(17,183)
Other	(101)	(118)	(837)
Net cash provided by (used in) financing activities	(10,818)	1,139	(89,997)
Effect of exchange rate changes on cash and cash equivalents	(612)	1,381	(5,088)
Net increase(decrease) in cash and cash equivalents	9,311	(5,757)	77,464
Cash and cash equivalents at beginning of year	42,811	42,995	356,162
Cash and cash equivalents of newly consolidated subsidiaries	334	3,814	2,781
Acquisition of business, net cash acquired	-	1,759	-
Cash and cash equivalents at end of year (note 3)	¥ 52,456	42,811	\$ 436,407

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

Hitachi High-Technologies Corporation and Subsidiaries

1. Basis of Presentation and Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements have been prepared from the accounts maintained by Hitachi High-Technologies Corporation (the Company) and subsidiaries in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan, and its foreign subsidiaries in accordance with those of the countries of their domicile.

The consolidated financial statements, including the notes to the consolidated financial statements, presented herein have been compiled from the consolidated financial statements filed with the Ministry of Finance as required by the Security and Exchange Law of Japan (the MOF Report), and certain reclassifications have been made in the MOF Report and additional information which is not required under accounting principles generally accepted in Japan is included for the convenience of readers outside Japan.

(b) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its effectively controlled subsidiary companies, which in general are majority-owned. Investments in entities in which the Company does not have effective control but has the ability to exercise significant influence over operating and financial policies, generally 20 to 50 percent-owned, are accounted for by the equity method. All the significant intercompany accounts and transactions have been eliminated in consolidation.

(c) Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Company considers all highly liquid investments with insignificant risk of changes in value which have maturities of generally three months or less when purchased to be cash equivalents.

(d) Short-term Investments and Investments in Securities

The Company has been adopted "Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council. Under this standard, securities are to be classified into one of following three categories and accounted for as follows:

- Securities that the company held with the objective of generating profits on short-term differences in price are classified as trading securities and measured at fair value, with unrealized holding gains and losses included in earnings.
- Securities that the company has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and measured at amortized cost
- Securities classified as neither trading securities nor held-to-maturity securities are classified as available-for-sale securities and measured at fair value, with either unrealized holding gains and losses excluded from earnings and reported as net unrecognized holding gain (loss) in a separate component of shareholders' equity until realized, or with unrealized holding losses included in earnings and unrealized gains excluded from earnings and reported as unrecognized holding gains in a separate component of shareholders' equity until realized.

The Company measured available-for-sale securities at fair value and reported unrealized holding gains and losses as "Net unrealized holding gain (loss) on securities" in a separate component of shareholders' equity. Available-for-sale securities without fair values are carried at cost. In computing realized gain or loss, cost of available-for-sale securities was principally determined by the moving-average method.

(e) Inventories

Inventories are mainly stated as following methods :

Merchandise	: Stated at cost, cost being determined by the moving-average method
Finished goods	: Stated at lower of cost or market, cost being determined by the moving-average method
Semi-finished goods	
Raw materials	
Work-in-process	: Stated at lower of cost or market, cost being determined by specific identification method

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost and depreciated over the estimated useful lives of the respective assets by the declining-balance method, except for certain buildings which are depreciated by the straight-line method.

(g) Income Taxes

Deferred income taxes are accounted for under the asset and liability method in accordance with "Accounting Standards for Deferred Income Taxes" issued by the Business Accounting Deliberation Council. Under the asset and liability method of the standards, deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

(h) Translation of Foreign Currency Accounts

The Company has been adopted the revised "Accounting Standards for Foreign Currency Transaction" issued by the Business Accounting Deliberation Council. Under this standard, foreign currency transactions are translated into yen on the basis of the rates in effect at the transaction date or, if only the relation between a foreign currency transaction and related firm forward exchange contracts meets the criteria of hedge accounting as regulated in "Accounting Standards for Financial Instruments", those covered by firm forward exchange contracts can be translated at such contract rates. At year-end, monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except for those, as described above, translated at related contract rates. Gains or losses resulting from the translation of foreign currencies, including gains and losses on settlement, are credited or charged to income as incurred.

The financial statements of the consolidated foreign subsidiaries are translated into the reporting currency of yen as follows: all assets and liabilities are translated at the rates of exchange in effect at the balance sheet date; shareholders' equity accounts are translated at historical rates; income and expenses are translated at an average of exchange rates in effect during the year; and a comprehensive adjustment resulting from translation of assets, liabilities and shareholders' equity is reported as "Foreign currency translation adjustments", a separate component of shareholders' equity.

(i) Derivative Financial Instruments

The Company has been adopted "Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council. Under this standard, in principle, net assets or liabilities arising from derivative financial transactions are measured at fair value, with unrealized gains or losses included in earnings. Hedging transactions, which meets the criteria of hedge accounting as regulated in "Accounting Standards for Financial Instruments", are accounted for using deferral hedge accounting, which requires the unrealized gains or losses to be deferred as an asset or liability until gains or losses relating to the hedge objects are recognized.

In addition, certain foreign currency swap transactions and certain interest rate swap transactions are accounted for using the allocation method and the special method, respectively, which are regulated in the

standard. The allocation method requires recognized foreign currency receivables or payables covered by firm foreign currency swap transactions to be translated at such swap rates. Under the special method, interest rate swap transactions are accounted for as if the interest rates under those transactions were originally applied to underlying borrowings and debentures.

(j) Lease

Finance lease except for those where the legal title of the underlying property is transferred from the lessor to the lessee at the end of the lease term, is accounted for as operating lease.

(k) Treasury stock

Effective April 1, 2002, the Company adopted Accounting Standards Board of Japan (ASB) Statement No.1, "Accounting Standards for the Company's Own Shares and the Withdrawal of Legal Reserve." Under this standard, treasury stock is recorded at cost as a deduction of shareholders' equity. When the Company reissues the treasury stock, the difference between the issuance price and the cost of the treasury stock is accounted for as capital surplus.

The adoption of the accounting standard did not have a material effect on the Company's consolidated financial statements.

(l) Net Income Per Share

Effective April 1, 2002, the Company adopted ASB Statements No.2, "Calculations of Earnings Per Share of the Current Net Earnings." Under this standard, basic net income per share is computed by dividing net income available to common shareholders by the weighted average number of shares of common shares outstanding during the respective years. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock.

Previously, net income per share was computed by dividing net income which includes the portion not available to common shareholders by the weighted average number of shares of common stock outstanding during the respective years.

(m) Reclassifications

Certain reclassifications have been made in prior year's consolidated financial statements to conform to classification used in current year.

2. Basis of Financial Statement Translation

The accompanying consolidated financial statements are expressed in yen and, solely for the convenience of the reader, have been translated into the U.S. dollars at the rate of ¥120.20=\$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market as of March 31, 2003. This translation should not be construed as a presentation that any amounts shown could be converted into U.S. dollars.

3. Cash and Cash Equivalents

Reconciliations between consolidated balance sheet captions and cash and cash equivalents are as follows:

	Millions of yen		Thousands of
	<u>2003</u>	2002	<u>2003</u>
Cash	¥ 51,675	¥ 43,193	\$ 429,905
Time deposit with maturity over three months	(219)	(382)	(1,818)
Deposit to Hitachi group cash management fund	1,000	-	8,320
Cash and cash equivalents	¥ <u>52,456</u>	¥ <u>42,811</u>	\$ <u>436,407</u>

4. Short-term Investments and Investments in Securities

Investments in securities as of March 31, 2003 and 2002 are classified as available-for-sale securities. A summary of cost, unrealized holding gross gains, unrealized holding gross losses and aggregate fair value by major type of securities is as follows:

	Millions of yen							
	2003				2002			
	Cost	Gross Gains	Gross losses	Aggregate fair value	Cost	Gross gains	Gross losses	Aggregate fair value
Available-for-sale securities:								
Equity securities	¥ 2,217	¥ 4,963	¥ (122)	¥ 7,058	¥ 3,198	¥ 7,835	¥ (45)	¥ 10,988
Debt securities	5,000	65	-	5,065	10,002	153	-	10,155
Other securities	8,722	32	-	8,754	9,059	26	(92)	8,993
	¥ 15,939	¥ 5,060	¥ (122)	¥ 20,877	¥ 22,259	¥ 8,014	¥ (137)	¥ 30,136

	Thousands of U.S. dollars			
	2003			
	Cost	Gross Gains	Gross losses	Aggregate fair value
Available-for-sale securities:				
Equity securities	\$ 18,441	\$ 41,289	\$ (1,014)	\$ 58,716
Debt securities	41,597	541	-	42,138
Other securities	72,569	263	-	72,832
	\$ 132,607	\$ 42,093	\$ (1,014)	\$ 173,686

Debt securities consist mainly of national, local and foreign governmental bonds and corporate bonds.

Other securities consist mainly assets back securities, common shares of private companies and investment trust. It is not practicable to estimate the fair value of investments in non-marketable securities because of the lack of a market price and difficulty in estimating fair value without incurring excessive cost. The carrying amount of these investments classified as available-for-sale securities at March 31, 2003 and 2002 totaled ¥323 million (\$2,686 thousand) and ¥559 million, respectively.

The Aggregate fair value recognized in the consolidated balance sheets consist of:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
	Short-term investments	¥ 2,164	¥ 2,098
Investments in securities	18,713	28,038	155,682
	¥ 20,877	¥ 30,136	\$ 173,686

The following represents the maturities of debt securities and other securities with contractual maturities as of March 31, 2003.

	Millions of yen		Thousands of U.S. dollars	
	2003		2003	
	Within 1 year	¥ 2,164	\$ 18,004	
After 1 year through 5 years	4,338	36,094		
After 5 years through 10 years	4,010	33,363		
	¥ 10,512	\$ 87,461		

The proceeds from sale of available-for-sale securities for the year ended March 31, 2003 amounted to ¥2,641 million (\$21,970 thousand), and the gross realized gains and gross realized losses on the sale of those securities for the year ended March 31, 2003 amounted to ¥1,236 million (\$10,285 thousand) and ¥6 million (\$47 thousand), respectively.

The proceeds from sale of available-for-sale securities for the year ended March 31, 2002 amounted to ¥713 million and the gross realized gains and gross realized losses on the sale of those securities for the year ended March 31, 2002 amounted to ¥304 million and ¥184 million, respectively.

5. Balances and Transactions with Related Companies

66.65% of the Company's outstanding common stock is owned by Hitachi, Ltd. (the parent company). Balances and transactions with the parent company as of and for the years ended March 31, 2003 and 2002 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
	Principal balances:		
Accounts receivable	¥ 9,573	¥ 14,972	\$ 79,644
Advances to suppliers	¥ 543	¥ 543	\$ 4,518
Trade accounts payable	¥ 17,390	¥ 15,807	\$ 144,675
Advances from customers	¥ 473	¥ 508	\$ 3,935
Principal transactions:			
Sale	¥ 78,281	¥ 93,581	\$ 651,256
Purchase	¥ 62,591	¥ 104,705	\$ 520,726

6. Income taxes

The Company and subsidiaries are subject to a number of taxes based on income, which in the aggregate resulted in a normal income tax rate of approximately 42.1% for the year ended March 31, 2002.

On March 31, 2003, a reduction of income tax rate for business tax was enacted in Japan, and is effective from April 1, 2004. With this enactment, the aggregated normal income tax rate for domestic companies will be in approximately 40.8% for the year ending March 31, 2005. As a result, net deferred tax assets as of March 31, 2003 decreased by ¥237 million (\$1,972 thousand), and deferred income tax benefit for the year ended March 31, 2003 and net unrealized holding gain on securities as of March 31, 2003 increased by ¥301 million (\$2,507 thousand) and ¥64 million (\$534 thousand), respectively.

Reconciliations between the normal income tax rate and the effective income tax rate as a percentage of income before income taxes and minority interests are as follows:

	2003	2002
Normal income tax rate	42.1%	42.1%
Expenses not deductible for tax purpose	5.3	5.5
Tax credit on dividend income	(4.1)	(1.8)
Other, net	4.5	(0.4)
Effective income tax rate	47.8%	45.4%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of March 31, 2003 and 2002 are presented below:

	Millions of yen		Thousands of U.S. dollars
	<u>2003</u>	<u>2002</u>	<u>2003</u>
Total gross deferred tax assets:			
Allowance for doubtful receivables	¥ 806	¥ 1,019	\$ 6,708
Accrued bonus	2,898	2,236	24,111
Accrued business tax	607	195	5,046
Accrued expenses	3,757	2,268	31,254
Intercompany profit on inventories	1,034	881	8,598
Devaluation of inventories	1,020	354	8,485
Depreciation	571	671	4,753
Membership deposit	621	574	5,169
Investments in securities	363	269	3,022
Retirement and severance benefits	8,719	8,771	72,533
Special termination benefits	-	235	-
Other	1,870	2,008	15,559
	<u>22,266</u>	<u>19,481</u>	<u>185,238</u>
Total gross deferred tax liabilities:			
Net unrealized holding gain on securities	(2,014)	(3,308)	(16,756)
	<u>(2,014)</u>	<u>(3,308)</u>	<u>(16,756)</u>
Net deferred tax assets	¥ <u>20,252</u>	¥ <u>16,173</u>	\$ <u>168,482</u>

Net deferred tax assets as of March 31, 2003 and 2002 are reflected in the consolidated balance sheets under the following items:

	Millions of yen		Thousands of U.S. dollars
	<u>2003</u>	<u>2002</u>	<u>2003</u>
Deferred tax assets-current	¥ 10,652	¥ 8,036	\$ 88,619
Deferred tax assets-noncurrent	9,600	8,137	79,863
Net deferred tax assets	¥ <u>20,252</u>	¥ <u>16,173</u>	\$ <u>168,482</u>

7. Short-Term Debt

Short-term debt as of March 31, 2003 and 2002 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	<u>2003</u>	<u>2002</u>	<u>2003</u>
Unsecured bank borrowing	¥ 12,539	25,241	\$ 104,319
Export bill discounted	8,227	4,184	68,447
	¥ <u>20,766</u>	¥ <u>29,425</u>	\$ <u>172,766</u>

The weighted average interest rates on short-term debt outstanding as of March 31, 2003 and 2002 are 0.899% and 0.693%, respectively.

8. Retirement and Severance Benefits

The Company and subsidiaries have the following defined benefit pension plans to provide pension benefits to substantially all employees.

- Employees Pension Fund stipulated by the Japanese Welfare Pension Law (EPF), a funded contributory defined benefit pension plan.
- Tax Qualified Pension Plan (funded defined benefit pension plan)
- Retirement and Severance Benefit Plan (Unfunded defined benefit pension plan)

The funded status of the Company and subsidiaries' pension plans as of March 31, 2003 and 2002 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	<u>2003</u>	<u>2002</u>	<u>2003</u>
Projected benefit obligation	¥ (110,202)	¥ (83,766)	\$ (916,825)
Plan assets at fair value	43,197	45,473	359,376
Funded status	(67,005)	(38,293)	(557,449)
Unrecognized transition gain	(231)	(302)	(1,919)
Unrecognized actuarial loss	46,150	19,673	383,945
Unrecognized prior service cost	(2,382)	(4,268)	(19,819)
Amount recognized in the consolidated balance sheet	¥ <u>(23,468)</u>	¥ <u>(23,190)</u>	\$ <u>(195,242)</u>

Amounts recognized in the consolidated balance sheets consist of:

	Millions of yen	Thousands of U.S. dollars
Prepaid expenses and other current assets	¥ 56	¥ 93
Retirement and severance benefits	(23,524)	(23,283)
	¥ <u>(23,468)</u>	¥ <u>(23,190)</u>

Net periodic benefit cost for the Company and subsidiaries' pension plans for the years ended March 31, 2003 and 2002 consisted of the following components:

	Millions of yen		Thousands of U.S. dollars
	<u>2003</u>	<u>2002</u>	<u>2003</u>
Service cost	¥ 2,793	¥ 2,394	\$ 23,236
Interest cost	3,430	2,664	28,535
Expected return on plan assets for the period	(2,103)	(1,725)	(17,494)
Amortization of transition difference	(73)	(36)	(610)
Amortization of actuarial loss	1,495	639	12,442
Amortization of prior service cost	(250)	(109)	(2,079)
	¥ <u>5,292</u>	¥ <u>3,827</u>	\$ <u>44,030</u>

Actuarial assumptions used in accounting for the Company and subsidiaries' plans are principally as follows:

	<u>2003</u>	<u>2002</u>
Discount rate	1.5-3.1%	3.7%
Expected rate of return on plan assets	3.0-4.5%	3.0-4.5%

The program described above does not cover directors and statutory auditors. However, the provision has been made in the accompanying balance sheets for the estimated accrued liability based on informal retirement plan. At March 31, 2003 and 2002, such obligation recognized as retirement and severance benefits amounted to ¥1,466 million (\$12,192 thousand) and ¥1,157 million, respectively. Benefits payable to directors and statutory auditors upon retirement are subject to the approval of shareholders.

The Company and certain domestic subsidiaries obtained an approval from the Ministry of Health, Labour and Welfare for exemption from the future benefit obligation with respect to the substitutional portion of EPF on June 20, 2003.

9. Common Stock

The Japanese Commercial Code (JCC) had required that at least 50% of the issue price of new shares, with minimum of the par value thereof, were designated as stated capital. Proceeds in excess of amount designated as stated capital are credited to capital surplus.

Effective October 1, 2001, the JCC amended to eliminate the provision of common stock par value resulting in all common stock being recorded with no par value. Under the amended JCC, at least 50% of the issue price of new shares is designated as stated capital, and proceeds in excess of amount designated as stated capital are credited to additional paid-in capital.

Conversion of convertible bond issued subsequent to October 1, 1982 into common stock were accounted for in accordance with the provision of the JCC by crediting one-half of the conversion price to each of the stated capital and capital surplus.

Authorized shares and issued shares for the years ended March 31, 2003 and 2002 are summarized as follows:

	Authorized shares	Issued shares
Balance as of March 31, 2001	148,450,000	87,738,730
Authorized	201,550,000	-
New shares issued upon business acquisition	-	50,000,000
Balance as of March 31, 2002	350,000,000	137,738,730
Balance as of March 31, 2003	350,000,000	137,738,730

10. Legal Reserve and Dividends

The JCC had provided that an amount equal to at least 10 % of appropriations of retained earnings to be paid in cash, such as cash dividends and directors' bonuses, be appropriated as a legal reserve until such reserve equals 25 % of stated capital. This legal reserve was not available for dividends but might be used to reduce a deficit by resolution of the shareholders' meeting or might be transferred to capital by resolution of the board of directors.

Effective October 1, 2001, the JCC was amended to require an amount of equal to at least 10% of appropriations of retained earnings to be paid in cash be appropriated as a legal reserve until total of capital surplus and legal reserve equals 25% of stated capital. In addition to reduction of a deficit and transfer to stated capital, either capital surplus or legal reserve may be available for dividends by resolution of the shareholders' meeting to the extent that the amount of total capital surplus and legal reserve exceeds 25% of stated capital.

Cash dividends and appropriations to the legal reserve charged to retained earnings during the years ended March 31, 2003 and 2002 represent dividends and directors' bonuses paid out during those periods and the related appropriations to the legal reserve. The accompanying consolidated financial statements do not include any provision for the semiannual dividend of ¥7.50 (\$0.06) per share, aggregating ¥1,031 million (\$8,585 thousand), or related appropriations for directors' bonuses amounted to ¥100 million (\$832 thousand). These appropriations were approved at the general shareholders' meeting held on June 24, 2003 in respect of the year ended March 31, 2003.

11. Commitments and contingent liabilities

At March 31, 2003 and 2002, the Company and subsidiaries are contingently liable for following amounts:

	Millions of yen		Thousands of U.S. dollars
	<u>2003</u>	<u>2002</u>	<u>2003</u>
Export bill discounted	¥ 1,242	¥ 956	\$ 10,332
Notes receivable endorsed to suppliers	226	281	1,883
Guarantees given for employees' housing loans	1,918	2,252	15,956
Guarantees given for associated companies' business fulfillment	-	14	-
	¥ <u>3,386</u>	¥ <u>3,503</u>	\$ <u>28,171</u>

12. Net Income Per Share Information

Effective April 1, 2002, the Company adopted ASB Statement No.2, "Calculations of Earnings Per Share of the Current Net Earnings" as described note 1(l). The Company has no potentially dilutive securities for the years ended March 31, 2003 and 2002. Net income per share computation for the year ended March 31, 2003 is as follows:

	Number of shares 2003
Weighted average number of shares on which basic net income per share is calculated.....	137,663,810

	Millions of yen	Thousands of U.S. dollars
	2003	2003
Net income.....	¥ 5,928	\$ 49,315
Appropriations for directors' bonuses.....	(295)	(2,454)
Net income available to common shareholders.....	5,633	46,861

	Yen	U.S dollar
Net income per share:		
Basic	¥ 40.92	\$ 0.34

13. Research and Development Expenses

Research and development expenses charged to income for the year ended March 31, 2003 amounted to ¥11,168 million (\$92,911 thousand).

14. Financial instruments

The Company and subsidiaries are exposed to market risks arising from fluctuations in foreign currency exchange rates. The Company and subsidiaries enter into forward exchange contracts and cross currency swap agreements for the purpose of hedging these risk exposures. Forward exchange contracts and cross currency swap agreements are utilized to manage foreign currency exchange rate risk from receivables and payables which are denominated in foreign currency.

The Company has no derivative financial instruments for trading purpose. In addition, the Company may be exposed to losses in the event of nonperformance by counterparties to financial instruments, but it is not expected that any counterparties will fail to meet their obligations because most of the counterparties are authentic financial institutions. The Company has also developed hedging policies to control various aspects of derivative financial transactions including authorization levels, transaction volumes and counterparty credit

guidelines.

The notional amounts, estimated fair values and unrealized gains (losses) of the derivative financial instruments other than derivative financial instruments accounted for using deferral hedge accounting for the years ended March 31, 2003 and 2002 are as follows:

	Millions of yen					
	2003			2002		
	Notional amounts	Estimated fair values	Unrealized Gains (losses)	Notional amounts	Estimated fair values	Unrealized Gains (losses)
Forward exchange contracts:						
To sell foreign currency	¥ 10,755	¥ 10,760	¥ (5)	¥ 13,372	¥ 14,070	¥ (698)
To buy foreign currency	¥ 2,839	¥ 2,892	¥ 53	¥ 1,388	¥ 1,453	¥ 65
Foreign currency swap agreements						
To buy foreign currency	¥ -	¥ -	¥ -	¥ 88	¥ 2	¥ 2

	Thousands of U.S. dollars		
	2003		
	Notional amounts	Estimated fair values	Unrealized Gains (losses)
Forward exchange contracts:			
To sell foreign currency	\$ 89,475	\$ 89,518	\$ (43)
To buy foreign currency	\$ 23,616	\$ 24,060	\$ 444
Foreign currency swap agreements			
To buy foreign currency	\$ -	\$ -	\$ -

15. Segment Information

Business segment information

The Company has divided its operations into four reportable segments: "Electronic Device Systems," "Life Science," "Information Systems & Electronic Components" and "Advanced Industrial Products." The main products of each business segment are provided on pages 6-9 of this annual report. Following is a tabulation of business segment information as of and for the years ended March 31, 2003 and 2002.

	Millions of yen						
	2003						
	Electronic Device Systems	Life Science	Information Systems & Electronic Components	Advanced Industrial Products	Total	Elimination	Consolidated
Net sales:							
External customers	¥ 136,239	¥ 90,721	¥ 305,750	¥ 245,519	¥ 778,229	¥ -	¥ 778,229
Intersegment sales	1,000	3,128	1,575	2,287	7,990	(7,990)	-
	137,239	93,849	307,325	247,806	786,219	(7,990)	778,229
Operating expenses	134,429	87,782	304,324	247,907	774,442	(8,057)	766,385
Operating profit(loss)	¥ 2,810	¥ 6,067	¥ 3,001	¥ (101)	¥ 11,777	¥ 67	¥ 11,844
Total assets	¥ 100,243	¥ 49,424	¥ 99,459	¥ 68,100	¥ 317,226	¥ 72,478	¥ 389,704
Depreciation	4,293	1,535	1,089	541	7,458	-	7,458
Capital expenditure	4,848	2,628	1,406	407	9,289	-	9,289

	Millions of yen						
	2002						
	Electronic Device Systems	Life Science	Information Systems & Electronic Components	Advanced Industrial Products	Total	Elimination	Consolidated
Net sales:							
External customers	¥ 126,258	¥ 79,024	¥ 281,593	¥ 251,414	¥ 738,289	¥ -	¥ 738,289
Intersegment sales	1,845	640	537	2,740	5,762	(5,762)	-
	128,103	79,664	282,130	254,154	744,051	(5,762)	738,289
Operating expenses	124,673	76,492	278,865	253,919	733,949	(5,600)	728,349
Operating profit	¥ 3,430	¥ 3,172	¥ 3,265	¥ 235	¥ 10,102	¥ (162)	¥ 9,940
Total assets	¥ 97,037	¥ 49,568	¥ 98,524	¥ 72,091	¥ 317,220	¥ 65,313	¥ 382,533
Depreciation	2,384	877	989	632	4,882	-	4,882
Capital expenditure	2,607	1,781	1,732	456	6,576	-	6,576

	Thousands of U.S. dollars						
	2003						
	Electronic Device Systems	Life Science	Information Systems & Electronic Components	Advanced Industrial Products	Total	Elimination	Consolidated
Net sales:							
External customers	\$ 1,133,434	\$ 754,752	\$ 2,543,673	\$ 2,042,591	\$ 6,474,450	\$ -	\$ 6,474,450
Intersegment sales	8,323	26,018	13,108	19,022	66,471	(66,471)	-
	1,141,757	780,770	2,556,781	2,061,613	6,540,921	(66,471)	6,474,450
Operating expenses	1,118,374	730,299	2,531,817	2,062,455	6,442,945	(67,029)	6,375,916
Operating profit(loss)	\$ 23,383	\$ 50,471	\$ 24,964	\$ (842)	\$ 97,976	\$ 558	\$ 98,534
Total assets	\$ 833,976	\$ 411,181	\$ 827,443	\$ 566,552	\$ 2,639,152	\$ 602,981	\$ 3,242,133
Depreciation	35,716	12,773	9,059	4,502	62,050	-	62,050
Capital expenditure	40,336	21,866	11,694	3,386	77,282	-	77,282

Geographic segment information

Geographic segment information as of and for the years ended March 31, 2003 and 2002 are as follows:

Millions of yen								
2003								
	Japan	North America	Europe	Asia	Other areas	Total	Elimination	Consolidated
Net sales:								
External customers	¥ 545,220	¥ 119,390	¥ 53,088	¥ 60,075	¥ 456	¥ 778,229	¥ -	¥ 778,229
Intersegment sales	99,421	3,763	5,633	7,625	32	116,474	(116,474)	-
	644,641	123,153	58,721	67,700	488	894,703	(116,474)	778,229
Operating expenses	634,126	123,581	58,391	65,505	461	882,064	(115,679)	766,385
Operating profit (loss)	¥ 10,515	¥ (428)	¥ 330	¥ 2,195	¥ 27	¥ 12,639	¥ (795)	¥ 11,844
Total assets	¥ 345,217	¥ 33,170	¥ 17,504	¥ 21,331	¥ 437	¥ 417,659	¥ (27,955)	¥ 389,704

Millions of yen								
2002								
	Japan	North America	Europe	Asia	Other areas	Total	Elimination	Consolidated
Net sales:								
External customers	¥ 527,264	¥ 97,591	¥ 56,774	¥ 56,660	¥ -	¥ 738,289	¥ -	¥ 738,289
Intersegment sales	71,238	2,882	4,165	7,765	28	86,078	(86,078)	-
	598,502	100,473	60,939	64,425	28	824,367	(86,078)	738,289
Operating expenses	590,229	100,118	60,526	62,988	46	813,907	(85,558)	728,349
Operating profit (loss)	¥ 8,273	¥ 355	¥ 413	¥ 1,437	¥ (18)	¥ 10,460	¥ (520)	¥ 9,940
Total assets	¥ 339,886	¥ 30,396	¥ 15,790	¥ 16,890	¥ 127	¥ 403,089	¥ (20,556)	¥ 382,533

Thousands of U.S. dollars								
2003								
	Japan	North America	Europe	Asia	Other areas	Total	Elimination	Consolidated
Net sales:								
External customers	\$ 4,535,944	\$ 993,260	\$ 441,667	\$ 499,790	\$ 3,789	\$ 6,474,450	\$ -	\$ 6,474,450
Intersegment sales	827,128	31,309	46,860	63,442	267	969,006	(969,006)	-
	5,363,072	1,024,569	488,527	563,232	4,056	7,443,456	(969,006)	6,474,450
Operating expenses	5,275,594	1,028,129	485,785	544,963	3,833	7,338,304	(962,388)	6,375,916
Operating profit (loss)	\$ 87,478	\$ (3,560)	\$ 2,742	\$ 18,269	\$ 223	\$ 105,152	\$ (6,618)	\$ 98,534
Total assets	\$ 2,872,027	\$ 275,959	\$ 145,622	\$ 177,462	\$ 3,635	\$ 3,474,705	\$ (232,572)	\$ 3,242,133

Overseas sales

Export sales of the Company and its domestic subsidiaries and foreign subsidiaries' sales other than sales to Japan are summarized as follows:

Millions of yen					
2003					
	North America	Europe	Asia	Other areas	Total
Net sales:	¥ 120,798	¥ 63,263	¥ 190,205	¥ 6,526	¥ 380,792
Percentage of consolidated net sales	15.5%	8.1%	24.5%	0.8%	48.9%

Millions of yen					
2002					
	North America	Europe	Asia	Other areas	Total
Net sales:	¥ 111,591	¥ 63,724	¥ 156,270	¥ 5,514	¥ 337,099
Percentage of consolidated net sales	15.1%	8.6%	21.2%	0.7%	45.6%

Thousand of U.S. dollars					
2003					
	North America	Europe	Asia	Other areas	Total
Net sales:	\$ 1,004,974	\$ 526,311	\$ 1,582,408	\$ 54,296	\$ 3,167,989
Percentage of consolidated net sales	15.5%	8.1%	24.5%	0.8%	48.9%

Independent Auditors' Report

The Board of Directors
Hitachi High-Technologies Corporation

We have audited the accompanying consolidated balance sheets of Hitachi High-Technologies Corporation and subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hitachi High-Technologies Corporation and subsidiaries at March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2003 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.



Shin Nihon & Co.
Tokyo, Japan
June 24, 2003

See Note 1 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of Hitachi High-Technologies Corporation and subsidiaries under Japanese accounting principles and practices.

Investor Information (As of March 31, 2003)

Corporate Data

Date of Establishment	April 12, 1947
Paid-in Capital	¥7,938 million
Number of Employees	8,073
Number of Common Shares	137,738,730 (Issued and Outstanding)
Stock Exchange Listings	Tokyo, Osaka
Annual Shareholders' Meeting	June
Transfer Agent	Tokyo Securities Transfer Agent Co., Ltd. 5-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan
Independent Accountant	Shin Nihon & Co.
Number of Shareholders	5,772

Major Shareholders

Name	Number of shares	Percentage of total equity (%)
Hitachi, Ltd.	91,807,382	66.7
Japan Trustee Services Bank, Ltd.	6,176,000	4.5
Mitsui Asset Trust & Banking Co., Ltd.	3,467,000	2.5
Trust & Custody Services Bank, Ltd.	2,909,000	2.1
The Master Trust Bank of Japan, Ltd.	2,629,000	1.9
Hitachi High-Technologies Employees Shareholders Association	2,373,636	1.7
The Chase Manhattan Bank NA London	2,177,000	1.6
Mizuho Bank, Ltd.	2,173,042	1.6
UFJ Trust Bank Limited	1,460,624	1.1
LINX	731,000	0.5

Type of Shareholders

	Number of shareholders	Percentage of total equity (%)	Number of shares	Percentage of total equity (%)
Financial institutions	57	1.0	22,521,422	16.3
Securities firms	24	0.4	188,633	0.1
Other corporations	167	2.9	94,023,341	68.3
Foreign corporations, etc.	119	2.1	8,385,216	6.1
Individuals and others	5,405	93.6	12,620,118	9.2
Total	5,772	100.0	137,738,730	100.0

 **Hitachi High-Technologies Corporation**

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